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Market Development Reports

Market Generation: China's Young Consumers

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Report Highlights:

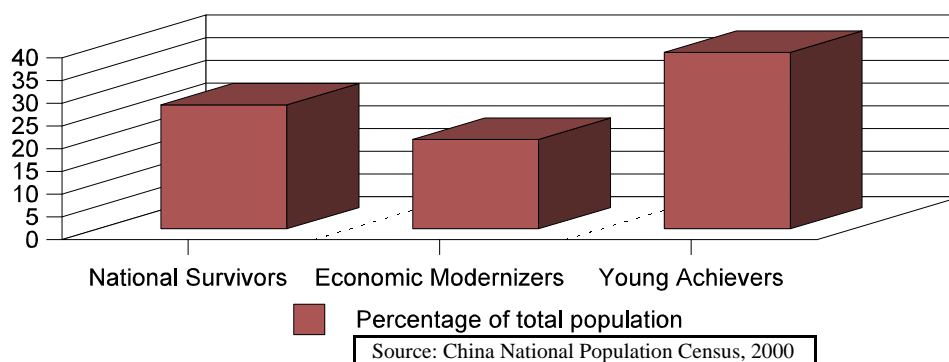
China's accession to the WTO has increased the competitiveness and availability of all imported food products. At the same time, increased trade has accelerated the country's transition to urban consumerism. In order to maintain market share and competitiveness in China's expanding, complex markets, American producers need to focus on the new generation of young, cosmopolitan consumers.

Includes PSD changes: No
Includes Trade Matrix: No
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China's cataclysmic experience of 20th century history etched stark fault lines that separate present generations. In categorizing China's consumers, advertising companies and demographers have broken the current population into three generations: National Survivors born between 1946-64, the Economic Modernizers of 1965-76, and the Young Achievers born after Mao Zedong's death in 1976. National Survivors sacrificed everything to be good communists and strengthen the nation against foreign aggression; they tend to be traumatized, conservative, and non-materialistic. As consumers, Economic Modernizers (EM) are defined by the tumultuous experiences of the Cultural Revolution and the gradual reform and opening that followed Mao's death. EM's appreciate the wealth and stability that has come with reform, but they tend to be fiscally conservative savers as opposed to consumers.

Whereas EM's are functional spenders, the Young Achiever (YA) generation is embracing consumption as a form of entertainment and an intrinsic part of their lifestyle. In contrast to previous generations, YA's have grown up in a time of unprecedented prosperity, optimistic openness, and confidence in the future. Moreover, they are better educated than their parents, tuned in to international events, and highly ambitious.

Defining China's Consumers: The Experience of History



The urban segment of this generation is becoming more familiar with foreign lifestyles and concepts with the increasing penetration of global media: in 2001, the average urban household had 1.2 color television sets and China had the world's second largest population of internet home users at 56.6 million. This media 'socialization' has broadened consumer awareness, demand, and regular consumption of imported food products. At this point, it is fairly common for China's children (most of whom are only-children due to the one child policy) to be treated by their parents with reward trips to American fast food outlets— usually a KFC or McDonalds. As they mature and gain disposable income, these urban professionals sample more sophisticated foreign cuisine. Whereas EM generation diners visit a foreign restaurant to impress friends, the YA generation increasingly expects to partake of foreign food as a cultural and entertainment experience. Moreover, the optimism and openness of China's YA generation presents a unique opportunity for American producers to popularize their products and gain market share.

China's accession to the WTO adds another positive factor that should help U.S. suppliers reach

this younger generation. But it will not be easy. The country has much to celebrate with the one year anniversary of its WTO accession: trade surpluses, particularly with the United States, are at an all time high, and the deluge of foreign investment increases by the day. While tariff reductions and regulatory overhauls have eased the process of importing, competition from domestically produced and internationally sourced high value products is increasing. In order to maintain market share and competitiveness in China's large and complex market, American producers should focus on the new generation of young, cosmopolitan consumers.

While at this point their parents control more resources, YA's are the segment of China's population that present the best opportunities for American producers and exporters. According to the 2000 national census, 38.8% of the population was born after 1976. In order to engage this generation, ATO Shanghai is supporting two different types of promotion. The first is a hybrid, retail-trade show promotion that will run through Christmas and New Years in China's newest and largest shopping mall (the Super Brand Mall). This activity is based on the concept of mall as entertainment venue, and will display food products on the 'food world' level at the same time they are offered for sale in an integrated supermarket promotion in the lower level. The second activity is a multimedia promotion that will feature ten American food products during Spring Festival, the largest and most food oriented Chinese holiday. By integrating these products into traditional Chinese cuisine on a television cooking show, publishing recipes in local food industry publications, and running simultaneous retail and restaurant promotions, this campaign will present YA's with a way to creatively enhance their traditional holiday celebrations.

Upcoming YA-oriented promotional activities will be important litmus tests as ATO Shanghai refines its strategy in the wake of WTO accession. Current positioning and presentation of American products are likely to be particularly influential as the YA generation grows up and gains independence from EM parents. In the long run, increased trade will benefit China's new young achievers and the American producers who help feed them.